

OPEB - Retiree Health and Life Insurance
as of June 30, 2006

January 2007

	<u>Health Employee</u>	<u>Health Spouse</u>	<u>Health Total</u>	<u>Life</u>	<u>Total</u>
Unfunded Accrued Liability					
Retirees	\$ 101,289,000	\$ 105,372,000	\$ 206,661,000	\$ 30,119,000	\$ 236,780,000
Actives	\$ 128,761,000	\$ 86,287,000	\$ 215,048,000	\$ 36,678,000	\$ 251,726,000
Total Unfunded Accrued Liability	<u>\$ 230,050,000</u>	<u>\$ 191,659,000</u>	<u>\$ 421,709,000</u>	<u>\$ 66,797,000</u>	<u>\$ 488,506,000</u>
Annual Required Contribution					
Normal Cost	\$ 11,501,000	\$ 7,178,000	\$ 18,679,000	\$ 2,617,000	\$ 21,296,000
Amortization of Unfunded	\$ 13,070,000	\$ 10,890,000	\$ 23,960,000	\$ 3,796,000	\$ 27,756,000
Total Annual Required Contribution	<u>\$ 24,571,000</u>	<u>\$ 18,068,000</u>	\$ 42,639,000	\$ 6,413,000	\$ 49,052,000
Premium Paid Year Ended 6/30/06			<u>\$ 12,564,040</u>	<u>\$ 218,449</u>	<u>\$ 12,782,489</u>
Increase Required			<u>\$ 30,074,960</u>	<u>\$ 6,194,551</u>	<u>\$ 36,269,511</u>

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	Unfunded Liability	Annual Required Contribution
With Current Benefits	<u>66,797,000</u>	<u>6,413,000</u>
Possible Benefits Changes:		
1. Reduce benefit to \$10,000 for current employees and retirees	<u>(52,086,000)</u>	<u>(5,205,000)</u>
2. Stepped benefit reducing percent of earnings by 25% at ages 65, 70, and 75 and to \$10,000 at age 80 - estimated impact 50% of change number 1	<u>(26,000,000)</u>	<u>(2,600,000)</u>
3. Change premium for retirees to premium for their group. Increases premium for this group from \$0.407 per thousand per month to \$1.73. Impact estimated at 5% but could be higher if some retirees chose not to continue life insurance at higher cost	<u>(10,139,000)</u>	<u>(1,027,000)</u>
4. Restrict coverage for deferred employees same as for health insurance. Amount of savings is not readily determinable but probably similar to number 3.		
5. Eliminate retiree life insurance for new employees. This has no immediate impact but will reduce the ARC over time. After 10 years the estimated ARC reduction is about \$2.5 million.		

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With Current Benefits

<u>Unfunded Liability</u>	<u>Annual Required Contribution</u>
<u>421,709,000</u>	<u>42,639,000</u>

Possible Benefits Changes:

1. The savings of items a-c are not determinable because we can not determine the number of people affected. However, a 10% reduction in participation would result in these savings.

<u>(21,505,000)</u>	<u>(3,091,000)</u>
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a. Limit coverage to dependents covered at date of retirement.

b. Require employed dependents of retirees to be covered by the dependent's employer.

c. Require retiree's under 65 who work for another employer to take that employer's insurance.

2. Change premium schedule to more reflect industry norms based on years of service

<u>(164,289,000)</u>	<u>(16,720,000)</u>
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3. For retirees over 65, require Medicare drug coverage and provide secondary coverage comparable to current coverage

<u>(97,402,000)</u>	<u>(9,847,000)</u>
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4. Eliminate retiree health insurance for new employees. This has no immediate impact but will reduce the ARC over time. This will reduce the increase in the ARC due to cost increases by an estimated 60%. After 10 years this is an estimated annual savings of \$32 million.

5. For new employees eliminate under 65 retiree health insurance. This has no immediate impact but will reduce the ARC over time. After 10 years the annual cost reduction is \$8 million.

Retirees' Health Insurance Premium - Retirees' Share

January 2007

<u>Service Years at Retirement</u>	<u>Current</u>	<u>Proposed</u>
Retirees Under 65:		
Over 25 years	30.0%	40.0%
21 - 25 years	30.0%	50.0%
16 - 20 years	39.0%	75.0%
11 - 15 years	40.5%	100.0%
7.5 - 10 years	42.0%	100.0%
Under 7.5 years	N/A	N/A
N/A - retiree health insurance not available		
Retirees Over 65: (1)		
Over 25 years	30.0%	30.0%
21 - 25 years	30.0%	35.0%
16 - 20 years	39.0%	40.0%
11 - 15 years	40.5%	50.0%
7.5 - 10 years	42.0%	60.0%
Under 7.5 years	100.0%	100.0%

(1) - Current reflects total premium reduced so maximum County share is 70%.